

**GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA**

UNSTARRED QUESTION NO:2398
ANSWERED ON:30.07.2002
SUBSIDY ON FERTILIZERS
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Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

- (a) the policy of the Central Government in regard to providing subsidy on fertilizers during the last two years;
- (b) the details of existing policy in this regard; and
- (c) the impact of this policy on the farmers of different categories and the fertilizers industry?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS (SHRI TAPAN SIKDAR)

(a) to (c) : Urea, being the only fertilizer under the statutory price, distribution and movement control, is eligible for subsidy. Payment of subsidy to urea manufacturing units is regulated in terms of provisions of the Retention Price Scheme (RPS). Under the scheme, difference between statutorily notified sale price of urea and retention price (normative cost of production plus 12% post tax return on net worth) is paid as subsidy to urea manufacturing units. Under the scheme, retention price is fixed unit-wise based on parameters approved for a pricing period subject to escalation/de-escalation of cost of inputs during the currency of the pricing period. Urea is made available to all farmers, whether small, big or marginal, at uniform maximum retail price (exclusive of the Central Sale Tax, the State Tax and other local taxes wherever levied). Since the average cost of production of urea is much higher than the statutorily notified sale price, farmers are the major beneficiary.

The Central Government is also supplementing manufactures/importers of phosphatic and potassic (P&K) fertilizers, which are decontrolled, by way of giving them concessions. Maximum Retail Price of these fertilizers is indicated by Central Government to make them available at uniform price all over the country. The amount of concession for various P & K fertilizers is decided taking into consideration their cost of indigenous production and the cost in the international market including prevailing exchange rates. The policy aims at providing essential P & K nutrients to farmers at affordable prices and to encourage the balanced use of N, P & K nutrients.